
STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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TO: City and Town Officials

FROM: Budget Division
Department of Local Government Finance

RE: 2005 Budget Information and Legislative Changes

DATE: June 2004

2005 BUDGET INFORMATION

JULY/AUGUST BUDGET WORKSHOPS

The Budget Division of the Department of Local Government Finance will hold hands-on work sessions in each county during the months of July and August. These meetings are by appointment only. Field Representatives will be in each county for a one to three day period, depending upon the number of units. The Department of Local Government Finance encourages each fiscal officer to meet with the Hearing Officer and discuss the unit's budget. In these meetings, the focus will be to check the accuracy of the prepared forms, insure that the budget is properly advertised and to provide assistance in whatever capacity is desired. Units should be prepared to bring the following to the review sessions:

- (1) Ledger of Receipts and Disbursements balanced to June 30
- (2) Any encumbrances brought forward from 2003 to 2004
- (3) Additional Appropriation orders approved by DLGF to June 30
- (4) Debt Service Worksheets
- (5) All amortization schedules applicable to debts incurred
- (6) Indication of debts which are anticipated to be incurred to begin repayment in 2004
- (7) Indication of the necessity of excessive levy appeals and appeal forms
- (8) Any other information which may aid in the budget preparation
- (9) Completed budget forms
- (10) Proposed budget calendar

It is hopeful that the "one-on-one" sessions will eliminate any technical errors, which have occurred in the past and become a valuable learning tool for future budgets.

OBJECTION PERIOD BETWEEN PUBLIC HEARING AND ADOPTION DATE

IC 6-1.1-17-5(b) provides for a ten (10) day period between the public hearing and the final adoption hearing which allows for a taxpayer objection period. Taxpayers are notified of their right to object in the publication of the Notice to Taxpayers (Budget

Form 3).

IC 6-1.1-17-5(b) reads as follows:

“Ten or more taxpayers may object to a budget, tax rate, or tax levy of a political subdivision fixed under section (a) by filing an objection petition with the proper officers of the political subdivision not more than seven (7) days after the hearing. The objection petition must specifically identify the provisions of the budget, tax rate, and tax levy to which the taxpayers object.”

This statute allows taxpayer objections to be addressed on the local level, prior to final adoption. The political subdivision shall adopt findings with its budget that addresses the concerns referenced in the petition and testimony presented at the hearing. A copy of the objections, testimony and unit response will be attached to the two copies of the budget which are submitted to the County Auditor.

(IC 6-1.1-17-13) Taxpayers may not initiate a T.A.B. appeal if less than 75% of the taxpayers filing the appeal objected to the budget within seven (7) days of the taxing unit's public hearing.

AUDITOR'S CERTIFICATE

IC 6-1.1-17-1 requires the County Auditor to certify estimates of assessed valuation and other information to the fiscal officer of a city/town in each county. The requirements are as follows:

"The statement shall contain:

- 1) information concerning the assessed valuation in the political subdivision for the next budget year;
- 2) an estimate of taxes to be distributed to the political subdivision during the last six (6) months of the current budget year;
- 3) the current assessed valuation as shown on the abstract of charges;
- 4) the average growth in assessed valuation in the political subdivision over the preceding three (3) budget years, excluding years in which a general reassessment occurs, determined according to procedures established by the Department of Local Government Finance; and
- 5) any other information at the disposal of the county auditor that might affect the assessed value used in the budget adoption process."

ANNUAL BUDGET PROCESS

No later than **February 15, 2005**, the Department of Local Government Finance will certify a budget order to the County Auditor. It will include certification of appropriations for calendar

year 2005, tax rate (if applicable) for taxes payable in 2005, and tax levy (if applicable) for 2005 for all units of government in the county.

Budget Schedule

The city/town budget schedule follows:

Last date to file an excessive levy appeal with the Indianapolis office-
September 19, 2004 – 6-1.1-18.5-12

Last meeting date for adoption:
September 20, 2004 - IC 6-1.1-17-5(a)

Objecting petitions filed within seven (7) days of budget hearing - IC 6-1.1-17-5(b)

Last date for public hearing on budget (at least 10 days prior to adoption date):
September 10, 2004 - IC 6-1.1-17-5(a)

Last date for first publication of budget estimate which includes the 2004 annual total appropriations, current tax levy, proposed tax levy, and excessive levy appeals (at least 10 days before the public hearing):
August 31, 2004 - IC 6-1.1-17-3

Last date for second publication (at least 3 days prior to the public hearing):
September 7, 2004 - IC 5-3-1-2

Consolidated City and Second Class Cities: city and county budget ordinances adopted no later than the last meeting of the City-County Council in September (IC 6-1.1-17-5(a)(2) or second class cities not later than September 30 as required in IC 6-1.1-17-5(a)(3).

FALL HEARINGS

Fall budget hearings are tentatively scheduled for October 12 – October 28. The DLGF will provide the County Auditor the hearing notice, to be published, specifying the dates and times of all taxing units' budget hearings. Notices will also be mailed to each city/town at least two weeks in advance of the hearing. City/town officials are encouraged to attend the Department hearing to address any taxpayer objections that may be heard or to comment on the budget. Budget information should be filed with the County Auditor prior to the Department hearing.

Upon conclusion of the hearings, field representatives will meet at regional sites throughout the State to conduct budget reviews. A 1782 notice and attachments (16-line statement, miscellaneous revenue estimates and appropriations) will be mailed or delivered to each taxing unit. Upon receipt of the 1782 notice, taxing units have seven days to respond to action on the budgets or levies. The response must be in writing and must be sent to the Department Office in Indianapolis. The Department will issue the final budget order on or before February 15, 2005.

BUDGET FORMS

The budget forms have not changed for budget year 2005. Forms should be available at your local printer in early June. (The DLGF does not provide budget forms.)

The following is a list of forms applicable to cities/towns:

- Budget Form 1-Budget Estimate
- Budget Form 2-Estimate of Miscellaneous Revenue
- Budget Form 3- Notice to Taxpayers of Budget Estimates
- Budget Form 4A- Budget Report of Appropriations by Classification
- Budget Form 4-B-Budget Estimate-Financial Statement

ASSESSED VALUATIONS

Assessed valuations, as certified by the County Auditor for 2004 payable 2005, do represent 100% true tax value.

T.A.B. RATE CHART

As soon as the budgets, tax rates and tax levies are approved or modified by the tax adjustment board or county auditor, whichever is applicable, the county auditor shall prepare and publish within fifteen (15) days the notice of tax rates to be charged on each \$100 of assessed valuation for the various funds in each taxing district. The Auditor is required to notify taxpayers and the taxing units of their right to appeal within ten days of the publication of such notice.

(IC 6-1.1-17-13) Taxpayers may not initiate a T.A.B. appeal if less than 75% of the taxpayers filing the appeal objected to the budget within seven (7) days of the taxing unit's public hearing.

If the Co. Auditor calculates and fixes tax rates for the various taxing units, he/she is required to send a certificate of notice of the rate(s) to each political subdivision in the county. This notice must be sent within five days of the advertised notice of tax rates.

The Tax Adjustment Board (TAB) chart is published one time in two newspapers, if two newspapers are available. The Auditor is also required to post the notice at the county court house. Pursuant to IC 6-1.1-17-15, if there is an error in the notice of tax rates, a political subdivision may appeal to the Department of Local Government Finance within ten days after publication of the notice. The legislative body of the political subdivision must authorize the filing of the statement by adopting a resolution. The resolution and statement of objections must be attached and signed by the highest executive officer and by the presiding officer of the legislative body. The information is then forwarded to the Indianapolis office of the Department of Local Government Finance for consideration. Please remember that it is the unit's responsibility to check the T.A.B. advertisement. Units that fail to appeal an error in the TAB chart may be held to the lower rate.

DEBT SERVICE AND CUMULATIVE FUNDS

If a city/town anticipates repayment of a debt or establishes a new cumulative fund for the ensuing year, the fiscal body must advertise and adopt a debt service rate and/or the cumulative fund rate as part of the budget process. Even if a city/town has not received final approval for a pending debt service project or new cumulative fund, the fiscal body should still advertise and adopt a debt service and/or cumulative fund levy as part of the budget process. Failure to advertise and adopt a rate and levy for the ensuing year may preclude the city/town from levying a tax for a new fund.

CUMULATIVE FUNDS

For 2005, cumulative fund rates will be adjusted so that a taxing unit may recoup the loss of levy due to a reduction of assessed value caused by the 100% inventory deduction or the interstate commerce exemption. Cumulative funds do not need to be re-established to get the adjustment; however, taxing units will need to advertise and adopt a rate high enough to allow the adjustment. For 2003-2004, cumulative fund rates in 78 counties will be adjusted for the interstate commerce exemption. For 2003-2004, the DLGF will adjust cumulative fund rates in 14 counties for the inventory deduction. The DLGF will do a second adjustment in the 78 counties when the inventory deduction takes effect. The inventory deduction encompasses all inventory-related assessed value whereas the interstate commerce exemption does not capture all inventory in a county. The additional adjustments will be made as counties adopt the 100% inventory deduction. The rate cap may exceed the statutory cap for the cumulative fund.

On or before August 1, the county auditor will provide assessed value information necessary to determine the cumulative fund rate adjustment. The following formula should assist taxing units in calculating the additional tax rate for the inventory deduction or interstate commerce exemption.

Step 1) Determine the total assessed value removed from the taxing units' assessed value by the inventory deduction or interstate commerce exemption.

Step 2) Multiply the Step 1 amount by the cumulative fund rate cap to arrive at the levy to be replaced.

Step 3) Divide the Step 2 amount by the (2003p2004 certified assessed value multiplied by 100) for the taxing unit to arrive at the rate necessary to raise the levy in Step 2.

Step 4) Add the rate determined in Step 4 to the cumulative fund rate cap to determine the maximum rate available for the cumulative fund.

2005 REVENUE ESTIMATES

Income Taxes

The DLGF is working with the State Budget Agency to come up with income tax estimates for taxing units to use for the 2005 budget. DLGF field representatives can provide assistance with estimating CAGIT, COIT, and EDIT distributions.

Excise

Taxing units can review past excise distributions to calculate an estimate for 2005. Taxing units should be conservative when determining an estimate for excise.

FIT

Taxing units may use the same FIT (financial institutions tax) estimate as 2004.

CVET

Taxing units may add 5% to the 2004 CVET amount to arrive at a 2005 CVET estimate.

NEW LEGISLATION

A separate memorandum detailing legislation will be mailed later.